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ESTIMATED OPEC MEMBERS' INVESTMENTS DEC 74

01 OF 01

[REDACTED]
10 December 1974

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MEMORANDUM FOR THE RECORD

SUBJECT: Estimated OPEC Members' Investments
January 1 - September 30, 1974

[REDACTED]
On 8 November the attached memorandum and table on
OPEC Foreign Investment were passed to Mr. Donald Curtis
of Treasury.
[REDACTED]

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[REDACTED]
Acting Chief
Trade and Monetary Analysis Branch
Office of Economic Research

Attachment:
As stated

Distribution: (6673)

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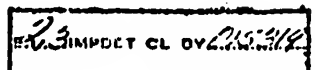
ESTIMATED OPEC MEMBERS' INVESTMENTS
January 1 - September 30, 1974

OPEC members' investments totaled more than \$35 billion in the first nine months of 1974. About 25% of the total was invested in the US and nearly 40% was invested in the UK. The developed countries received about 90% of the total, the remaining 10% being invested either directly in the LDCs and state trading countries or in institutions designed primarily to recycle funds to those areas.

Several problems exist, however, which may substantially affect the accuracy of the estimates. Commercial bank liabilities in the US are derived from the published data on short-term liabilities to foreigners, using adjusted balances for "Other Asia" and "Other Africa" areas. The status of the reporting on accounts held by commercial banks to purchase securities and other assets for OPEC members is not known. There are indications that the inflow onto such accounts in the US could materially affect the US investment total.

Another area where serious estimation problems exist is that of Eurocurrency deposits held outside the UK.

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Huge inflows of short-term deposits into the US from Switzerland and the Bahamas may indicate that OPEC funds are being deposited in those areas and matched by similar deposits from Eurocurrency banks in those areas to US institutions. The easing of capital controls earlier this year, the problems which some foreign banks have been experiencing, and the sharp increase in US short-term interest rates have created a situation which would induce short-term inflows into the US. Accordingly, it is difficult to make a reasonable estimate of what percentage of these flows represent a redeposit of OPEC funds. The lack of similar increases from other Eurocurrency areas does indicate, however, that a substantial portion of the funds does come from OPEC countries.

OPEC lending to multilateral institutions and directly to LDCs is a third area where there may be a material error in the estimate. The dividing line between aid and loans and the extent to which known commitments have been fulfilled are the main sources of difficulties. For the purpose of this estimate, the October Treasury estimate of flows to these areas and groups was used. We are currently searching information received during the first nine months of this year in an attempt to arrive at a more accurate estimate.

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CONFIDENTIAL**ESTIMATED OPEC MEMBERS' INVESTMENTS****January 1 - September 30, 1974****(in billions of dollars)**

In Assets Held In:	Federal Reserve	4.7
	Commercial Banks	3.5
	Real Estate, Equities, and Direct Loans	0.5
		8.7
United Kingdom:	Sterling	4.1
	Other Currencies	10.4
	Real Estate, Equities, and Direct Loans	0.1
		14.6
Other Developed Countries:	Eurocurrency Deposits	6.0
	Direct Placement Loans	2.0
	Real Estate and Equities	0.8
		8.8
Communist Countries:		0.3
IMF:		0.6
World Bank:		0.9
LDC's and Other Multilateral Aid and Lending Institutions:		2.0
Total		35.9

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